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Honorable Commissioner of Patents
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REPLY BRIEF ON APPEAL
ON BEHALF OF APPELLANT

S I R :

This Reply Brief is submitted in response to the Examiner's Answer dated February 3, 2012. For brevity, the issues presented in the Appeal Brief will not be repeated, and the Reply will correspond structurally to the Examiner's Answer.

In response to Appellant's arguments presented in the Appeal Brief, the Examiner does not respond to numerous arguments set out in the Appeal Brief (compare headings in the Appeal Brief with the Answer) and makes various statements that are factually and legally incorrect. Therefore, in addition to the arguments presented in the Appeal Brief, Appellant provides the following comments regarding the Examiner's rebuttal arguments.

With respect to the Answer at page 32, it is a mischaracterization to contend that Appellant's arguments are "centered around the assertion that the claimed pool does not

correlate to Walker's insurance syndicate." Instead, Appellant's arguments are centered around whether the Examiner has met the prima facie burden of establishing that the claims are obvious pursuant to 35 U.S.C. Sec. 103 based on the cited art.

I. Group 1

1. The Examiner's Finding Based on Walker is in Error Because Walker Does Not Disclose the Claimed computer-aided method of determining participation in a pool (including) forming a pool to handle a monetary obligation that is a financial liability over a period of time

As to Group 1, the Answer does not respond to the citations to Walker discussed in Section C 1 of the Appeal Brief and in Section C 2 a i, ii, iii, and iv of the Appeal Brief. Rather than respond to the citations to Walker and Appellant's associated arguments in these sections of the Appeal Brief, demonstrating individual investors acting individually, the Examiner asserts that (Answer, pages 32-33) (emphasis added):

> "Even though the syndicate members buy into the pool as an investment, ***once shares are purchased in the syndicate, the share owners are bound to pooling their resources to fulfill group liabilities associated with the syndicate***. For example, if an insurance claim needs to be paid out, each share has a risk cost associated with it and this risk cost defines the amount that each share owner (i.e., member of the pool/syndicate) is obligated to pay toward an insurance policy payment (Walker: col. 2, lines 50-67; col. 5, lines 44-65). It is old and well known that this type of arrangement helps to minimize personal risk by distributing it among various participants in a pool while creating a potential income opportunity for these participants (Walker: col. 1, lines 8-52). ***All rewards and liabilities are shared by the members of the syndicate. If a person drops out of the pool or does not meet the credit line requirements, this threatens the ability of the syndicate as a whole to provide its promised insurance coverage; therefore, the fact that a pool of participants works together to fulfill the syndicate's financial obligations means that each individual investor is expected to act in compliance with rules defined by the syndicate.*** The syndicate verifies that compliance with these rules is adhered to by each member of the syndicate (Walker: col. 12, lines 23-40); therefore, there is clearly a group (or pooled) effort to keep the insurance syndicate operating as intended. For example, if a member failed to contribute capital toward a potential insurance payout, the syndicate as a whole would potentially not be able to meet a promised financial payout should an insurance claim be approved; therefore, Walker's syndicate is a type of pool."

However, the citations from Walker cited by the Examiner in the above-quoted passage from the Answer not only fail to support the Examiner's assertion, they are consistent with the

above-cited unanswered Appeal Brief arguments and actually:

1) disprove the Examiner's assertions in the Answer; and

2) provide strong additional support for the Appellant's demonstration that Walker teaches individual investors acting individually, not a pool, thus making the teaching of Walker inconsistent with every element of claim 1 of Schoen, et al.

The first citations (Walker, col. 2, line 50-67; col. 5, lines 44-65) show that:

a) the share owners are (individual) owners of shares in an insurance policy (*not shares in a syndicate*); and,

b) each share purchased by an (individual) investor specifies a maximum liability specific to that share purchased by that individual investor – i.e., *that each share in an insurance policy purchased by individual investor acting individually is a limited liability investment*. Limited liability is the essence of individual investors acting individually.

Given that the liability of each investor is limited to the liability of the individual share purchased by the individual investor – Walker's teaching contradicts the Examiner's assertion that: "*the share owners are bound to pooling their resources to fulfill group liabilities associated with the syndicate*."

Walker col. 2, lines 50-67 states (emphasis added):

> "According to one aspect of our invention, ***the syndicated sale of an insurance policy*** is facilitated by an apparatus which includes a processor, a storage device connected thereto, and means for receiving and outputting data. The processor receives policy information relating to the insurance policy, and transmits the policy information for viewing by potential investors. The processor extends invitations to prospective buyers to ***make offers to purchase shares of the policy*** in syndication (thereby forming an ad hoc syndicate for that policy). ***Each share has associated therewith a risk cost, which may be defined as the maximum exposure for the buyer of the share. The risk cost is thus the amount assessable to the buyer if the insurance policy is paid out.*** The processor also receives the offers to purchase shares of the insurance policy, where each offer includes information identifying a collateral security against which the risk cost may be charged in the event of a payout of the insurance policy."

Note that *the syndicated sale of an insurance policy* (Walker: col. 2, lines 51-52) does

not, as asserted by the Examiner, teach the purchase of shares in a syndicate. In Walker's teaching prospective buyers *make offers to purchase shares of the policy* (col. 2, lines 57-58). Most importantly, the references cited by the Examiner show that Walker contradicts or teaches away from the Examiner's assertion that "the share owners are bound to pooling their resources to fulfill group liabilities associated with the syndicate" stating that (col. 2, lines 59-62): "*Each share has associated therewith a risk cost, which may be defined as the maximum exposure for the buyer of the share. The risk cost is thus the amount assessable to the buyer if the insurance policy is paid out.*" In other words, Walker specifically teaches that each individual share purchased by each individual investor has an associated specified maximum liability (risk cost). That is, Walker teaches a limited liability for each share purchased by an individual investor and this limited liability for each share means that there is not, and cannot be, a group liability for the share owners as (incorrectly) asserted by the Examiner. Walker goes on to teach (col. 5, lines 44-65) that the share of the premium received by each individual investor is determined according to the risk cost associated with the individual share purchased by the individual investor.

In summary, the citations cited by the Examiner show that there is no pooling of shareholder resources to fulfill (nonexistent) group liabilities associated with a (nonexistent) pool, but rather a teaching of individual investors acting individually.

These citations not only demonstrate once again that Walker teaches individual investors acting independently, they also once again demonstrate (as shown in the Appeal Brief, and not fully answered – Appeal Brief pp. 46-50) that the Examiner's combining of McCord with Walker is improper. Col. 2, lines 59-62 demonstrate again that the teaching of Walker contradicts the teaching of McCord because the definition of a maximum exposure (i.e., limited liability) for the buyer of a share is inconsistent with the unlimited liability associated with a partnership interest as taught by McCord.

Continuing with the citations on pages 32-33 of the Answer, the Examiner next cites to the Background of the Invention (Walker, col. 1, lines 8-52). However, as demonstrated in the Appeal Brief, the Examiner has simply confused the prior art discussion in Walker's Background of the Invention with Walker's invention. Walker's invention is fundamentally different from the prior art disclosure in the Background of the Invention and, therefore, citations from the Background of the Invention are not the teachings of Walker's invention.

The final citation cited by Examiner in the above assertions set forth on pages 32-33 of the Examiner's Answer (Walker; col. 12, lines 23-40) shows that Walker teaches away from the Examiner's contention of joint liability associated with a pool. The cited paragraph states that if the prospective purchaser has an unused credit line at least equal to the risk cost associated with the share, then a hold on the credit line equal to the risk cost is instituted and the proposed purchase goes through. If not, the purchase of the share is denied.

Clearly, this citation is a simple purchase requirement for an individual investor acting independently. Not only is there no joint liability and no pool, there can be no joint liability and no pool because *the liability of each share purchaser is limited to the risk cost of the individual share purchased by the independent investor.*

The Examiner's contention that there must be joint liability in order to provide for a potential insurance payout is an example of the Examiner making things up based upon the view that Walker is teaching something that Walker is, in fact, teaching away from. In Walker's teaching of independent investors purchasing individual shares in an insurance policy, the insurance company that is selling the shares in the policy is responsible for any part of the potential claim that is not paid by one or more independent investors who have purchased a share or shares in the policy. Therefore, in the teachings of Walker, the supposed problem

regarding payment of potential claims cited by the Examiner simply does not exist.

Moreover, claim 1 of Schoen, et al, requires rules (plural) for determining membership in the pool and Walker teaches only one rule, and even that rule is not for the claimed function – a purchase requirement for an individual investor acting individually – not rules (plural) for determining membership in the pool.

2. The Examiner's Finding Based on Walker is in Error Because Walker Does Not Disclose the Claimed computer-aided method of determining participation in a pool (including) applying the rules, with the computer system, to carry out the step of determining the participation within the period

The Examiner asserts (Examiner's Answer, pp. 33-34) that Walker and McCord together teach applying the rules, with the computer system, to carry out the step of determining the participation within the period of time, but the Examiner (implicitly) acknowledges that the final rejection cited only one (supposed) rule regarding determining participation in the pool whereas claim 1 of Schoen, et al, specifies the application of rules (i.e., more than one) regarding the participation in the pool in order to determine the participation within the period of time.

The "rule" regarding participation contended by the Examiner in the Final Rejection and contended again in the Examiner's Answer, is not a rule for participation in a pool but rather a simple purchase requirement that must be satisfied by each individual investor acting independently. After contending again that this purchase requirement for an individual investor is a rule for determining participation in a pool, the Examiner struggles in vain to cite another "rule" for determining participation in a pool. The Examiner states that: "A second rule to belong to the syndicate is that a syndicate member own shares in the syndicate." However, Walker teaches individual investors purchasing *shares in an insurance policy*. There is no syndicate and no one owns shares in this nonexistent syndicate. The Examiner goes on to speak of rules regarding the sharing of income. However, rules regarding the sharing of income are not rules for determining

participation in a pool. Therefore, the Examiner again fails to show rules (or even one rule) for determining participation in a pool.

3. The Examiner's Finding Based on Walker is in Error Because Walker Does Not Disclose the Claimed computer-aided method of determining participation in a pool (including) storing, in a computer system, rules for member participation in the pool, the rules including a requirement that at least one member of the pool assumes a larger share of the obligation in the event at least one other member of the pool has a reduced share of the obligation

The Examiner asserts (Answer at pp. 34-35) that McCord and Walker combine to teach that the rules (for determining participation in the pool) include a requirement that at least one member of the pool assumes a larger share of the obligation in the event at least one other member of the pool has a reduced share of the obligation. However, the Examiner's arguments fail at every step because:

1) as shown above, Walker does not disclose even one rule for determining membership in a (nonexistent) pool – but rather only a purchase requirement for individual investors acting independently;

2) as shown above, it is not proper to combine Walker (who teaches the sale of limited liability shares in an insurance policy) with McCord (who teaches a partnership in which each of the partner/investors has unlimited liability); and

3) neither Walker nor McCord teach a rule (for determining participation in a pool) that requires at least one member of the pool assumes a larger share of the obligation in the event at least one other member of the pool has a reduced share of the obligation.

The Examiner acknowledges that Walker does not teach a rule (for determining participation in a pool) that requires at least one member of the pool assumes a larger share of the obligation in the event at least one other member of the pool has a reduced share of the obligation, contending instead that McCord teaches such a rule and that it is proper to combine

McCord with Walker. However, even if it was proper to combine McCord with Walker (which it is not – see Appeal Brief), McCord does not teach the claimed rule because the rule is incompatible with a partnership as taught by McCord. In a partnership as taught by McCord, each partner/investor is always responsible for 100% of the liabilities of the partnership, no matter how small or large the ownership share of the partner/investor. Therefore, McCord does not teach a rule (for determining participation in a pool) that requires at least one member of the pool assumes a larger share of the obligation in the event at least one other member of the pool has a reduced share of the obligation because, by the nature of a partnership, every partner's share of the obligation is always 100% and that (100%) share can be neither increased nor decreased.

In sum, for the foregoing reasons, the Examiner has not met the prima facie burden of showing obviousness based on the cited art.

II. Group 2

1. The Examiner's Finding Based on Walker is in Error Because Walker Does Not Disclose the Claimed at least one rule to appoint at least one new member to replace a member leaving the pool, whereby the determining includes changing membership in the pool

With regard to Group 2, the Answer sets up a "straw man" argument by mischaracterizing both the arguments by the Appellant on pages 53-54 of the Appeal Brief and the arguments by the Examiner on pages 6-7 of the Final Rejection.

On page 36 of the Answer, the Examiner states that "On pages 53-54, Appellant argues that McCord does not disclose the claimed rules (true) and *Walker would not be easily modified to replace an investor's obligation with obligations from another investor(s) since the insurance company would absorb the remaining obligation.*" The italicized portion of the statement mischaracterizes both the arguments presented by the Appellant on pages 53-54 of the Appeal Brief and the Examiner's arguments for rejection on pages 6-7 of the Final Rejection.

On pages 53-54, the Appellant did not argue that "Walker would not be easily modified to replace an investor's obligation with obligations from another investor(s) since the insurance company would absorb the remaining obligation." Rather, the Appellant argued that (emphasis added):

> "the Examiner's assertion at pages 6-7 of the Final Rejection that Walker ***must be modified*** in order to cover the obligation when an investor drops out (again, it may simply be a matter of the expiration of the investment term selected by the investor acting as an independent individual) is the result of the erroneous assertion that the investment interests are sold to a pool rather than to individual investors acting independently. As shown above, there is no need to modify Walker to address the issue of the loss of an individual investor because 100% of the insurance obligation always remains with the insurance company that wrote the insurance policy. In Walker, what happens if an individual investor in an interest in an insurance policy is lost for any reason is that (as per col. 8, lines 45-46) the remaining percentage of the total risk available for sale (remaining inventory 607) goes up by the amount of the investment interest previously held by the lost investor."

Similarly, on pages 6-7 of the Final Rejection, the Examiner did not argue that Walker would be easily modified to replace an investor's obligation with obligations from another investor(s). Rather, the Examiner argued that (emphasis added):

> "Walker also describes the scenario in which a pool member (investor) cancels his/her credit card that was providing a credit line toward the pool's investment. In such a situation, the investor's stake in the policy may be cancelled by the syndication service (Walker: col. 5, line 9 through col. 6, line 4). Walker does not get into details of how the potential insurance obligation of the pool is paid out when an investor drops out of the pool; however, ***such an obligation must be covered somehow.*** There would be a finite number of available solutions to cover this obligation. Assuming that a financial obligation ***must be covered*** by a pool of investors, if one investor contributing a certain portion of the financial obligation drops out of the pool, this lost financial portion ***must be compensated for somehow.*** For example, if a pool of investors invests in an insurance pool that promises to payout $1 million and one investor in the pool who promises $100,000 toward the potential insurance payout drops out of the pool, this means that the $100,000 portion of the obligation ***needs to be raised somehow.***"

First, "somehow" is not a disclosure of "how." Second, the above-cited argument in the Final Rejection is one example of a repeated pattern in the Final Rejection in which the Examiner asserts that Walker must be modified, of course because in the absence of the modification, what Walker teaches will not work. It is true that Walker will not work without the modification because

Walker teaches investors acting jointly. However, as the Appellant shows in the above argument quoted from the Appeal Brief (and elsewhere in the Appeal Brief), no modification is required for Walker to work as it was intended. Given that Walker's teaching holds without modification for individual investors acting individually but does not, as the Examiner's arguments acknowledge (and assert), hold without contradictory modification for a pool of investors acting jointly, it is clear that Walker teaches individual investors acting independently and, therefore, it follows that Walker does not disclose any element of Schoen, et al.

In sum, for the foregoing reasons, the Examiner has not met the prima facie burden of showing obviousness based on the cited art.

III. Groups 3-13

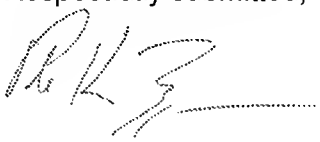
The Answer has not rebutted the arguments in Groups 3-13 of the Appeal Brief sufficiently that the burden of a prima facie showing has been made out based on the cited art. Appellant relies on the Appeal Brief arguments respectively set out in these Groups.

IV. CONCLUSION

For at least those reasons specifically presented above and in the Appeal Brief filed on January 3, 2012, the Examiner's rejections of the claims should be reversed for lack of a prima facie showing of obviousness.

The Commissioner is hereby authorized to charge any fees associated with the above-identified patent application or credit any overcharges to Deposit Account No. 50-0235.

Respectfully submitted,



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